Appendix AJ:

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

FINANCIAL STATEMENTS

DECEMBER 31, 2014

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

DECEMBER 31, 2014

CONTENTS

Rosenswig McRae Thorpe LLP
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INDEPENDENT AUDITORS' REPORT

To the Council of the Corporation of the City of Toronto and the
Board of Directors for the Toronto Entertainment District Business Improvement Area

We have audited the accompanying financial statements of Toronto Entertainment District Business Improvement Area, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Entertainment District Business Improvement Area as at December 31, 2014, and the results of its operations, net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Rosenswig McRae Thorpe LLP

Toronto, Canada
February 28, 2015

Chartered Accountants
Licensed Public Accountants

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TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

FINANCIAL ASSETS

	2014	2013
Cash	$ 1,364,628	$ 974,626
Investments (Note 3)	1,025,000	1,516,200
Accounts receivable		
City of Toronto - special charges (Note 4)	128,330	68,780
Other	103,998	107,873
	2,621,956	2,667,479

LIABILITIES

	2014	2013
Accounts payable and accrued liabilities		
City of Toronto	268,673	84,814
Other	74,842	166,640
	343,515	251,454
Net financial assets	2,278,441	2,416,025

NON FINANCIAL ASSETS

	2014	2013
Tangible capital assets (Note 5)	927,364	394,781
Prepaid expenses	15,273	7,583
	942,637	402,364
Accumulated surplus (Note 6)	$ 3,221,078	$ 2,818,389

Approved on behalf of the Board of Management:

________________________, Chair ________________________, Treasurer

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2014

	2014 Actual	2014 Budget (Note 10)	2013
Revenue			
City of Toronto - special charges	$ 1,960,744	$ 1,975,868	$ 1,915,131
Interest income	34,500	33,000	40,396
Other income	1,429	-	4,500
Advertising and sponsorships	-	7,500	-
	1,996,673	2,016,368	1,960,027
Expenses			
Streetscape - non cost share	509,432	1,335,000	562,381
Advertising, marketing and promotion	399,712	522,000	406,331
Administration	387,619	399,220	334,164
Provision for levies in appeals	103,425	178,098	262,547
Safety and security	81,984	115,550	69,600
Amortization	111,812	-	54,927
	1,593,984	2,549,868	1,689,950
Annual surplus	$ 402,689	$ (533,500)	$ 270,077

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

STATEMENT OF NET FINANCIAL ASSETS

DECEMBER 31, 2014

	2014	2013
Annual surplus	$ 402,689	$ 270,077
Acquisition of tangible capital assets	(644,395)	(127,884)
Amortization of tangible capital assets	111,812	54,927
Increase in prepaid expense	(7,690)	(2,640)
Change in net financial assets	(137,584)	194,480
Net financial assets, beginning of year	2,416,025	2,221,545
Net financial assets, end of year	$ 2,278,441	$ 2,416,025

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

STATEMENT OF CASH FLOWS

DECEMBER 31, 2014

	2014	2013
Cash from operating activities		
Annual surplus	$ 402,689	270,077
Adjustments for:		
Amortization	111,812	54,927
	514,501	325,004
Changes in non-cash working capital balances:		
Decrease (increase) in accounts receivable		
City of Toronto - special charges	(59,550)	63,759
Other	3,875	(48,261)
Increase in prepaid expenses	(7,690)	(2,640)
Increase (decrease) in accounts payable and accrued liabilities		
City of Toronto	183,859	(97,779)
Other	(91,798)	98,520
	543,197	338,603
Cash flows used in investing activities		
Redemption of investments	491,200	193,800
Purchase of tangible capital assets	(644,395)	(127,884)
	(153,195)	65,916
Increase in cash position	390,002	404,519
Cash, beginning of year	974,626	570,107
Cash, end of year	$ 1,364,628	$ 974,626

See accompanying notes.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. Establishment of operations

The Toronto Entertainment District Business Improvement Area was designated as a business improvement area through By-Law 125-2008 enacted on January 30, 2008. The appointment of members to a Board of Management ("Board") to manage the Business Improvement Area ("BIA") was approved by Council of the City of Toronto on February 12, 2008.

The Board is entrusted with the improvements, beautification and maintenance of municipally owned lands, buildings and structures in the area, together with the promotion of the area as a business or shopping area. Funding is provided by property owners of the BIA who are levied a special charge, through property tax billings, based on an annual operating budget prepared by the Board and approved by Council as required by Section 220 (17) of the Municipal Act, as amended.

2. Significant accounting policies

These financial statements are the representation of management and have been prepared in accordance with the Canadian public sector accounting standards. The most significant of which are as follows:

a) Accrual basis of accounting

The BIA follows the accrual method of accounting for revenues and expenditures. Expenditures are recorded on the accrual basis of accounting, whereby they are reflected in the financial statements in the period in which they have been incurred, whether or not such transaction have been finally settled by the payment of money.

b) Investments

Investments are recorded at cost which approximates their fair value on the date of acquisition.

2. Significant accounting policies (continued)

   c) Revenue recognition

   The BIA recognizes revenue as follows:

   i) City of Toronto special charges - The City of Toronto levies special charges to land owners within the BIA boundaries through the property tax system. Special charges revenue is recognized when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

   ii) Advertising, sponsorship and grants - revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

   iii) Interest and other income - revenue is recognized when earned.

   d) Use of estimates

   The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the BIA may undertake in the future.

   e) Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated at a rate that, in the opinion of management, allocates the cost of such assets over their estimated useful lives. The BIA records amortization using the following annual rates and methods:

Streetscape fixtures	-	3-30 year straight-line
Holiday decor	-	3-5 year straight-line
Furniture and equipment	-	5 year straight-line
Computer equipment	-	3 year straight-line
Computer software	-	3 year straight-line
Leasehold improvements	-	over the remaining lease life

   f) Services provided without charge by the City of Toronto and others are not recorded in these financial statements.

TORONTO ENTERTAINMENT DISTRICT
BUSINESS IMPROVEMENT AREA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

3. Investments

Investments consist of amounts invested in guaranteed investment certificates (GIC) with maturity dates between May 2015 to April 2017 earning interest between 1.5% to 2.4%.

4. City of Toronto - special charges

Special charges levied by the City of Toronto ("City") are collected and remitted to the Board by the City. The total special charges outstanding (owing) consist of amounts collected by the City not yet remitted to the Board and amounts uncollected by the City.

The Board records special charges receivable net of an allowance for uncollected amounts. The special charges receivable/(payable) from/(to) the City of Toronto are comprised of:

	2014	2013
Total special charges outstanding	$ 1,133,330	$ 1,073,780
Less: Allowance for special charges in appeals	(1,005,000)	(1,005,000)
Special charges receivable	$ 128,330	$ 68,780

5. Tangible capital assets

	2014			2013
	Cost	Amortization	Net Book Value	Net Book Value
Streetscape fixtures	$ 983,500	$ 153,514	$ 829,985	$ 368,707
Holiday decor	31,771	20,448	11,323	19,068
Furniture and equipment	69,262	33,802	35,460	5,238
Computer equipment	12,546	9,641	2,905	377
Computer software	5,031	4,938	93	1,213
Leasehold improvements	49,978	2,380	47,598	178
	$1,152,088	$ 224,723	$ 927,364	$ 394,781

Tangible capital asset additions purchased during the year amounted to $644,395 (2013 - $127,884).

6. Accumulated surplus

	2014		
	Unrestricted Surplus	Invested in capital assets	Total
Accumulated surplus, beginning of year	$ 2,423,608	$ 394,781	$ 2,818,389
Annual surplus	402,689	-	402,689
Amortization	111,812	(111,812)	-
Purchase of tangible capital assets	(644,395)	644,395	-
Accumulated surplus, end of year	$ 2,293,714	$ 927,364	$ 3,221,078

	2013		
	Unrestricted Surplus	Invested in capital assets	Total
Accumulated surplus, beginning of year	$ 2,226,488	$ 321,824	$ 2,548,312
Annual surplus	270,077	-	270,077
Amortization	54,927	(54,927)	-
Purchase of tangible capital assets	(127,884)	127,884	-
Accumulated surplus, end of year	$ 2,423,608	$ 394,781	$ 2,818,389

7. Contractual commitments

a) The Board, in co-operation with the City, agrees to annual cost-shared capital improvement projects on publicly owned property. The projects are long-term in nature and are usually completed subsequent to the year of Council's approval. As at December 31, 2014 the BIA has a commitment outstanding relating to their 2014 capital improvement projects in the amount of $60,126 (2013 - $248,307).

7. Contractual commitments (continued)

b) The BIA occupies a premises under a leasing agreement. Future minimum annual lease payments, exclusive of operating costs, under the operating lease are as follows:

2015	$	48,671
2016		51,125
2017		53,579
2018		56,033
2019 and thereafter		161,146
	$	370,554

8. Insurance

The Board is required to deposit with the City Treasurer, City of Toronto, insurance policies indemnifying the City against public liability and property damage in respect of the activities of the Board. Insurance coverage providing $5,000,000 for each occurrence or accident has been obtained by the Board, through the City of Toronto.

9. Financial instruments risks

a) Fair value

The financial instruments recognized in the statement of financial position consist of cash, investments, accounts receivable, prepaid expenses and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying amounts due to the short-term maturity of these instruments.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of investments disclosed in note 3.

9. Financial instruments risks (continued)

c) Liquidity risk

Liquidity risk is the risk that the BIA will encounter difficulties in meeting obligations associated with financial liabilities. The BIA manages its liquidity risk by maintaining sufficient readily available funds in order to meet its liquidity requirements at any point in time.

10. 2014 Budget

The 2014 budget figures on the statement of operations are presented for information purposes only and are not commented on by the opinion of Rosenswig McRae Thorpe LLP dated February 28, 2015.

11. Annual surplus

The City of Toronto requires the BIA to budget tangible capital assets as annual expenditures. Through the year as assets are purchased they are capitalized and amortized over their useful lives. The difference between tangible capital assets purchased and the amount of tangible capital assets amortized during the year is $532,583 (2013 - $72,957) which contributed to the annual surplus. The amount above the surplus that was surplus invested in tangible capital assets for the year is $129,894 (2013 - the amount of surplus not invested in tangible capital assets was $197,120).

TORONTO ENTERTAINMENT DISTRICT BUSINESS IMPROVEMENT AREA

SCHEDULE OF EXPENSES

YEAR ENDED DECEMBER 31, 2014

	2014	2013
Advertising, marketing and promotion		
Marketing and promotion	$ 234,029	$ 224,119
Events	62,402	83,235
Salaries and benefits	84,271	78,682
Meeting expenses	19,010	20,295
	399,712	406,331
Administration		
Salaries and benefits	213,200	201,753
Occupancy costs	61,687	38,588
Professional fees	33,751	25,908
General office	27,029	15,573
Consultants	14,151	9,810
Utilities	8,924	7,682
Meetings	8,155	11,165
Insurance	7,292	6,619
Memberships	6,483	6,484
Travel	2,824	5,719
Advertising and promotion	2,365	3,529
Interest and bank charges	1,758	1,334
	387,619	334,164
Safety and security		
Salaries and benefits	44,831	40,572
Repairs and maintenance	30,544	23,689
Safety and security	6,609	5,339
	81,984	69,600
Streetscape improvements		
Streetscape improvement and maintenance	362,831	410,135
Consultants	115,721	93,190
Master plan and development costs	30,880	59,056
	509,432	562,381
Provision for levies in appeals	103,425	262,547
Amortization	111,812	54,927
	$ 1,593,984	$ 1,689,950